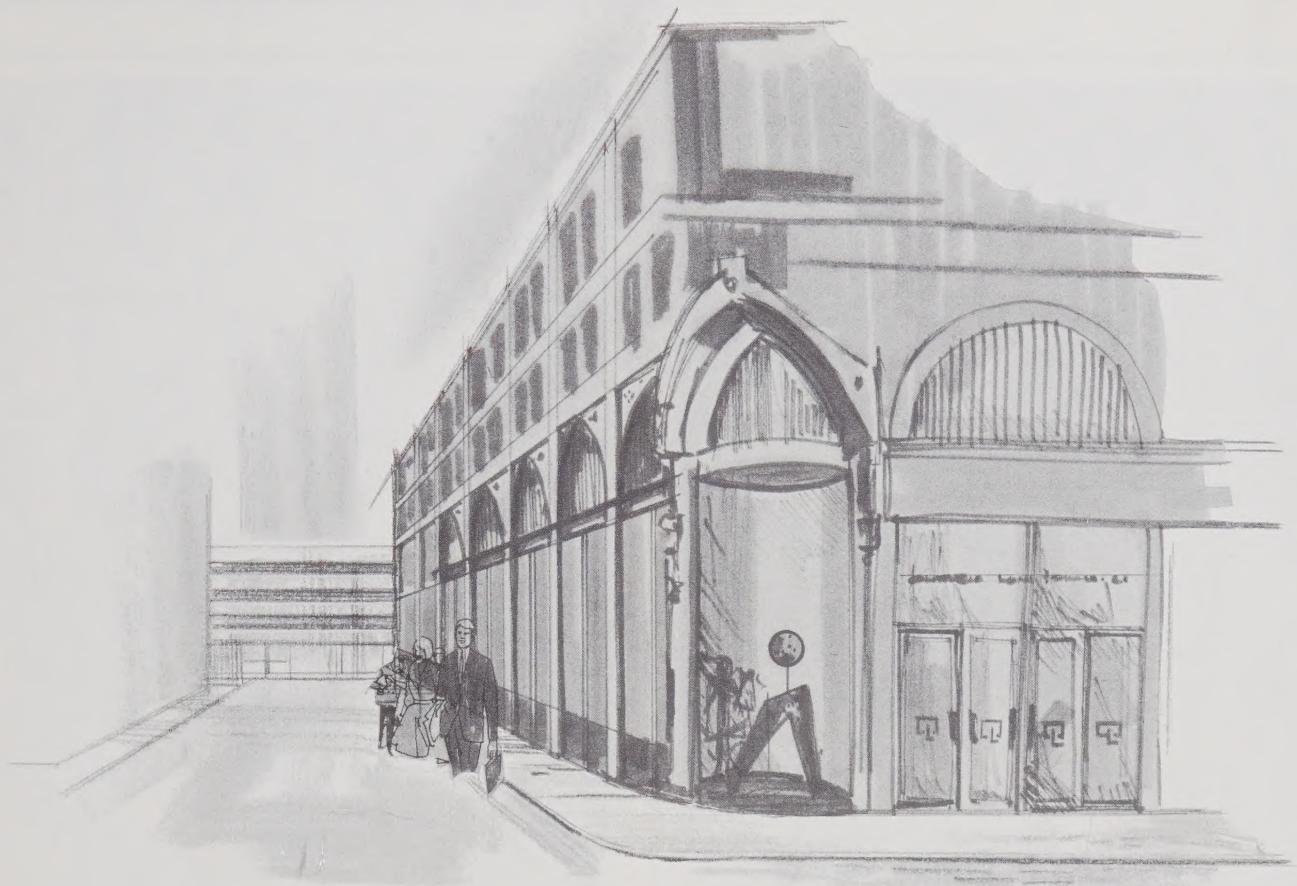


97th
ANNUAL
REPORT
1967

The Ontario Loan and Debenture Company has served the needs of the London, Ontario, area for 97 years. Recently we have expanded into St. Thomas, Woodstock and Listowel. These long years of service and steady growth have been possible only through the individual dedication of each member of The Ontario Loan and Debenture family. Some of these people serve you across the counter; others work behind the scenes in the accounting department or in management. And every one of them plays a vital role in the smooth functioning of our organization and in the implementation of the policies and programmes established by The Ontario Loan and Debenture Company management. We introduce each of these people on pages 6 and 7. We want you to meet them because, after all, *they are* The Ontario Loan and Debenture Company.



The Ontario Loan and Debenture Company

HEAD OFFICE—LONDON 137 Dundas Street (at Market Lane) 432-4158

BRANCHES—HAMILTON	42 James Street S., Suite 20	522-3506
LISTOWEL	130 Inkerman Street W.	291-1531
LONDON	Market Square	432-4158
OTTAWA	77 Metcalfe Street, Suite 1008	233-7749
ST. THOMAS	525 Talbot Street	633-0950
TORONTO	2 Carlton Street, Suite 1009	363-3195
WOODSTOCK	453 Dundas Street	539-2051

A message from the President.



M. F. BELL, *President*

The Economy

Canada's economic performance in 1967 is a story of successes and failures. Business activity began to re-expand at the middle of the year as fiscal and monetary restraints were eased. The revival was prompted by improvements in housing construction and automobile sales. Exports remained at a high level, and the nation harvested a bonus of tourist dollars through Expo '67. On the minus side, capital spending failed to register any gains and while government spending rose sharply again, this must be scored as a weakness as the large borrowings of government upset the capital markets. Inflationary pressures which had begun to ease early in the year started to rise again and provided an unsatisfactory part of the gain in the value of output. This also gave rebirth to excessive expectations about the future course of prices and incomes. At the year-end, tax increases were enacted to deter the inflation psychology.

Finally, there was a perverse rise in interest rates in the last half of the year in spite of record increases in the money supply. Large government deficits and external developments such as high interest rates in the

United States and the devaluation of sterling were the major contributing factors.

The economy is expected to grow moderately again in 1968, but not to the point where demand will seriously press existing capacity. Better housekeeping on the part of the public sector should help to dampen the inflationary thinking and restore more confidence to money and the capital markets. Canada may need another year of domestic stability since international developments will be less favourable.

One thing is certain: The management of money in both the public and private sectors will continue to require a high degree of skill! To this end, we at The Ontario Loan and Debenture Company promise to exercise the same skill and the same philosophy that has resulted in absolute security of the moneys entrusted to us for over 97 years. The company has maintained a reasonable annual return on shareholders' investments and paid dividends every single one of those years. This is an enviable record of stability that we intend to continue.

Our Financial Statements

As we look back over our 97th year, we can measure our progress in a number of different ways. The financial statements, for instance, tell a healthy growth story. Assets have increased by \$5,000,000 over 1966. Mortgage loans are up \$6,500,000. Total Shareholders' Equity has increased by over \$790,000 and now exceeds \$9,600,000.

In an effort to give full disclosure to the readers of our financial statements our substantial internal mortgage reserves, totalling \$2,361,962, are revealed on the balance sheet for the first time. We feel confident that the disclosure of this additional ultra-conservative reserve for contingencies demonstrates the Company's strength and stability to its present and prospective customers.

As set out in notes '2' and '3' to the financial statements, the Company during 1967 adopted a new policy with respect to its internal mortgage reserves. Basically this involves the adoption of a reserve level which will constantly be maintained at 3% of the mortgage balance outstanding (exclusive of National Housing Act portion). This arbitrary level of 3% conforms with the maximum accumulated allowance permissible to

. and from the General Manager



E. W. CARPENTER, Vice-President and General Manager

mortgage loan companies as deductions from taxable income under Section 85 (g) of the Income Tax Act (Canada). Loss experience in our industry over the past several decades of rising prices has been minor. Tax legislation, however, wisely encourages the gradual accumulation of provisions for less-buoyant periods in accordance with the conservative nature of our industry. The tax authorities permit mortgage loan companies to build up this 3% reserve over a period of years by deducting annually for taxation purposes, $\frac{1}{2}$ of 1% of the then-outstanding conventional mortgage balance. Our Company's decision to charge an abnormally large amount in the current year in order to bring the accumulated appropriations to a 3% level, resulted in several tax adjustments which appear on the financial statements for the eleven months ended November 30, 1967, and which are explained in the Auditors' notes thereto.

M. F. Bell

MACKENZIE F. BELL, President

Deposit Insurance

The formation of The Canada Deposit Insurance Corporation during 1967 rendered additional protection to depositors and debenture-holders. While the additional security was not felt to be necessary to the safety of our Company, to the extent that the Industry has benefited, we welcome the coverage.

Personnel

Figures are only part of the story. Another consideration is the quality and experience reflected by executive staff appointments. We were pleased to welcome Glen W. D. Zurbrigg as manager of the new Woodstock office, W. K. Philip Ball as manager of the business development department, and George R. Lengyell as supervisor of our new consumer loan department.

Potential

And there is still one other important way to measure our progress. That is by the groundwork we laid for future growth. Although the new St. Thomas and Woodstock branches and the Listowel sub-branch understandably operated at losses this year, we feel that the broadening of the operational base through these new branches, together with the new and active consumer loan and business development departments, have introduced significant potential for growth in 1968. We have been pleasantly surprised and gratified by the customer response to our new branches and services.

Acknowledgment of Contribution

Again this year, we speak for the directors, management, and staff in expressing sincere appreciation for the continued confidence and co-operation of our depositors, debenture holders, and shareholders. And last but most important, we would like to express our appreciation to all staff members for their loyalty and service, and their individual and collective efforts on behalf of the Company throughout the year.

E. W. Carpenter

E. W. CARPENTER, Vice-President and General Manager



In the area branches: 5 St. Thomas Branch—Left to Right: Mrs. A. Verrell, Mr. L. Gilmour, Mrs. N. Browne, and Mr. W. D. Gordon (Manager—seated). 7 Market Branch—Left to Right: Miss P. Pearce, Mr. E. Horton (Market Branch Manager), and Mr. W. Goodland, Miss S. Carruthers (absent when picture taken). 10 Woodstock Branch—Left to Right: Mrs. A. Williams, Mrs. J. Bulyaki, Mr. A. Sage and Mr. G. W. D. Zurbrigg (Manager). **In the head office:** 2 Mortgage Department—Left to Right: Miss M. Marchand, Miss D. Sherry, Mr. H.

Bosley, Mrs. H. Bradley, Mr. A. Whitfield, Miss A. R. Lindsay, Miss S. Marshall, Mr. D. Camp—Main Office—Left to Right: Miss M. Stitt Blanchard (Savings Manager), Mrs. S. McElroy Richmond. 8 Debenture Department—Left to Right: Lewis, Mrs. I. Morton, Mrs. S. Stirrat, Mr.



Locker, Mr. D. Goddard, Miss E. Wood, Mr. and Miss I. Martin. **3** Savings Department—Mrs. C. Cassils, Miss M. Rogers, Mr. F. M. Miss J. Bunston, Miss N. Brine and Miss C. Thirsk (Debenture Executive). **9** Mr. G. R.

Lengyell and Miss J. Eveleigh (Personal Loan Department). **11** Accounting Department—Left to Right: Mrs. B. Stewart, Miss T. Miller, Mrs. C. Whitcroft, Mr. A. D. Johnston (Assistant Manager—Finance), Mr. K. R. Leavens (Treasurer), Mr. J. Gray, Miss A. McGuire, Miss J. Barned, Mr. J. Boyle and Mrs. M. Jackson. **1** Mr. K. R. Leavens (Treasurer). **4** Miss J. Carmichael. **6** Mr. U. R. Van Sickle (Assistant Manager—Administration) and Miss J. Young. **12** Mr. W. K. P. Ball and Miss M. Morris (Business Development Department).



BALANCE SHEET

NOVEMBER 30, 1967

ASSETS

	1967	1966
Cash.....	\$ 773,274	\$ 466,641
Certificates of deposit with Chartered Banks including accrued interest.....		2,007,191
Loans fully secured by bonds and stocks.....	196,943	201,898
Securities including accrued interest:		
Bonds of or guaranteed by the Government of Canada and Provinces of Canada (market value—1967, \$5,751,332; 1966, \$6,201,137)	5,805,791	6,079,701
Stocks (market value—1967, \$2,002,259; 1966, \$1,379,303)	1,195,493	973,523
Other Loans.....	13,945	—
	<u>\$ 7,985,446</u>	<u>\$ 9,728,954</u>
Mortgages — principal and accrued interest.....	<u>\$79,172,779</u>	<u>\$72,397,154</u>
Less accumulated appropriation for mortgage reserves (See Note '2')	2,361,962	2,048,462
	<u>\$76,810,817</u>	<u>\$70,348,692</u>
Fixed Assets:		
Office premises — at cost less accumulated amounts written off (1967, \$192,962; 1966, \$189,443)	\$ 108,117	\$ 107,250
Office equipment — at cost less accumulated amounts written off (1967, \$110,826; 1966, \$99,122)	62,866	44,254
Alterations to leasehold premises — at cost less amortization to date	81,566	40,055
	<u>\$ 252,549</u>	<u>\$ 191,559</u>
Deferred income tax charges (See Note '3')	<u>201,000</u>	
	<u>\$85,249,812</u>	<u>\$80,269,205</u>

On behalf of the Board of Directors: MACKENZIE F. BELL, *President*

ERNEST W. CARPENTER, *Vice-President and General Manager*

AUDITORS' REPORT

To the Shareholders of

The Ontario Loan and Debenture Company:

We have examined the balance sheet of The Ontario Loan and Debenture Company as at November 30, 1967 and the statements of revenue and expenses and unappropriated retained earnings and of reserve fund for the eleven months ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at November 30, 1967 and the results of its operations for the eleven months ended on that date.

London, Canada.
January 17, 1968.

Clarkson, Gordon & Co.
Chartered Accountants

NOTES TO THE FINANCIAL STATEMENTS

FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 1967

1. During the period the company changed its fiscal year-end from December 31 to November 30. Accordingly, the statements of revenue and expenses and unappropriated retained earnings and of reserve fund are for the eleven months ended November 30, 1967 while the comparative figures are for the twelve months ended December 31, 1966.
2. The company's policy (adopted during the eleven month period ended November 30, 1967) is to maintain the accumulated appropriation for reserves on mortgages at 3% of the balance outstanding (excluding the National Housing Act portion). On this basis the accumulated appropriation for mortgage reserves amounted to \$2,361,962 at November 30, 1967 and the appropriation for mortgage reserves out of 1967 income to provide this balance was \$313,500.

(With comparative amounts as at December 31, 1966)

LIABILITIES

	1967	1966
Deposits including accrued interest.....	\$15,951,049	\$13,966,207
Debentures including accrued interest.....	59,188,393	56,821,286
	<hr/> \$75,139,442	<hr/> \$70,787,493
Other Liabilities:		
Income taxes — Payable.....	\$ 125,133	\$ 258,854
Income taxes — Deferred.....	—	148,000
Dividends payable.....	100,000	100,000
Miscellaneous.....	256,235	136,190
	<hr/> \$ 481,368	<hr/> \$ 643,044
TOTAL LIABILITIES.....	<hr/> \$75,620,810	<hr/> \$71,430,537

SHAREHOLDERS' EQUITY

Capital Stock (authorized \$4,200,000) issued and fully paid— 250,000 shares of \$10 par value.....	\$ 2,500,000	\$ 2,500,000
Reserve fund.....	6,250,000	6,250,000
Unappropriated retained earnings.....	879,002	88,668
	<hr/> \$ 9,629,002	<hr/> \$ 8,838,668
	<hr/> \$85,249,812	<hr/> \$80,269,205

3. A portion of the accumulated appropriation for mortgage reserves was not deductible in determining income taxes actually payable for the period ended November 30, 1967 and prior years. The amounts which were not deductible prior to November 30, 1967 will be deductible in determining income taxes actually payable in future years. An analysis of these items at December 31, 1966 and November 30, 1967 is set out below:

	As at December 31, 1966	As at November 30, 1967
Accumulated appropriation for mortgage reserves not as yet deductible in de- termining income taxes actually payable	\$394,392	\$348,389
Other sundry amounts.....	31,587	38,107
	<hr/> \$425,979	<hr/> \$386,496
Future income tax reductions available thereon.....	<hr/> \$222,000	<hr/> \$201,000

The reductions available at December 31, 1966 of \$222,000 together with deferred tax credits of \$148,000 at December 31, 1966 (not required) has been shown as a separate credit of \$370,000 on the attached statement of revenue and expenses and unappropriated retained earnings. The future income tax reductions available at November 30, 1967 amounted to \$201,000 and these have been shown on the attached balance sheet as "Deferred income tax charges."



The Ontario Loan and Debenture Company

**Statement of Revenue and Expenses and Unappropriated Retained Earnings
for the Eleven Months Ended November 30, 1967**
(With comparative amounts for the year 1966)

	Eleven months ended November 30, 1967	Year ended December 31, 1966
REVENUE		
• Income from mortgage loans	\$ 5,118,575	\$ 5,125,256
• Income from securities	361,982	413,165
• Other operating revenue	101,262	93,120
Total Revenue	\$ 5,581,819	\$ 5,631,541
EXPENSES		
• Interest on borrowed money	\$ 3,555,377	\$ 3,458,077
• Salaries, pension fund payments and other staff benefits	318,602	273,565
• Depreciation and amortization	23,943	23,748
• Other operating expenses including commissions, advertising, printing and stationery, etc.	356,063	289,814
Total Expenses	\$ 4,253,985	\$ 4,045,204
Operating Profit before appropriation for mortgage reserves	\$ 1,327,834	\$ 1,586,337
Appropriation for mortgage reserves (See Note '2')	313,500	210,000
Provision for income taxes	\$ 1,014,334	\$ 1,376,337
Net profit after providing for income taxes	494,000	679,000
Add adjustment of deferred income taxes (See Note '3')	\$ 520,334	\$ 697,337
Net profit for the period and adjustment of deferred income taxes	370,000	—
Less Dividends	\$ 890,334	\$ 697,337
	100,000	100,000
	\$ 790,334	\$ 597,337
	88,668	91,331
Unappropriated retained earnings — beginning of period	\$ 879,002	\$ 688,668
Transfer to reserve fund	—	600,000
Unappropriated retained earnings — end of period	\$ 879,002	\$ 88,668

Statement of Reserve Fund

For the Eleven Months Ended November 30, 1967
(With comparative amounts for the year 1966)

	Eleven months ended November 30, 1967	Year ended December 31, 1966
Balance — beginning of period	\$ 6,250,000	\$ 5,650,000
Add appropriation from income	—	600,000
Balance — end of period	\$ 6,250,000	\$ 6,250,000

The accompanying "Notes to the Financial Statements" should be read together with these statements.

The Ontario Loan and Debenture Company

Ten year progress report

(in thousands of dollars)

	1967 11 months	1966	1965	1964	1963	1962	1961	1960	1959	1958
Total Assets.....	\$85,250	\$80,269	\$75,692	\$69,746	\$53,381	\$49,660	\$46,582	\$44,748	\$44,185	\$44,821
Reserve Fund.....	6,250	6,250	5,650	5,100	4,100	3,850	3,650	3,500	3,300	3,300
Total Shareholders' Equity.....	9,629	8,839	8,241	7,674	6,918	6,682	6,496	6,327	6,130	6,107
Net Earnings Before Income Taxes	1,014	1,376	1,334	1,096	1,047	961	919	804	878	844
Net Earnings After Income Taxes	520	697	667	606	537	486	469	423	448	438
	2) 890									
Average Balance During the Period of the Following:										
• Mortgages.....	75,200	70,500	67,500	53,700	45,300	41,100	38,500	37,100	38,900	36,200
• Debentures.....	56,600	53,400	45,800	38,400	35,200	32,100	29,500	28,300	28,800	27,600
• Deposits.....	15,100	13,400	18,400	14,500	8,600	8,500	8,700	8,500	8,800	8,500
Earnings per Share.....	\$2.08	\$2.79	\$2.67	\$2.42	\$2.15	\$1.94	\$1.88	\$1.69	\$1.79	\$1.75
	2) \$3.56									
Earnings /Equity.....	5.40%	7.89%	8.09%	7.90%	7.76%	7.27%	7.22%	6.69%	7.31%	7.17%
	2) 9.24%									
Earnings /Assets.....	.61%	.87%	.88%	.87%	1.01%	.98%	1.01%	.95%	1.02%	.98%
	2) 1.04%									

NOTES:

- 1) The above comparison represents calendar years ended December 31 for each of 1958 through 1966 inclusive, while 1967 represents an eleven month year ended November 30.
- 2) Earnings for the period and adjustment of deferred income taxes.

A look to the future

We have built our business on one belief: that we can grow only when we can offer new or better services to our customers. Our services are flexible and respond quickly to the need for a new savings instrument, or "customer-oriented" hours of business. The addition of a consumer loan department, and the organization of a new business development department are also typically initiated by the needs of our customers. And you will be hearing of many other new ideas and services like these in the coming years. We intend also to institute a programme of expansion to provide more convenience for our customers. This programme, which is presently in the development stage, means we will be adding new branches in areas where our customers live and work. There may be one soon in your neighborhood. We are also planning modernization of our existing facilities to reflect the company's modern outlook. You can expect a continuing expansion of service as we build to assure the future growth of The Ontario Loan and Debenture Company.

